



DEPARTMENT OF THE NAVY
NAVAL AIR SYSTEMS COMMAND
NAVAL AIR SYSTEMS COMMAND HEADQUARTERS
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IN REPLY REFER TO
NAVAIRINST 7040.15B
AIR-7.6.3CM/229

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NAVAIR INSTRUCTION 7040.15B

From: Commander, Naval Air Systems Command

Subj: BUDGET POLICY FOR AUTOMATIC DATA PROCESSING SOFTWARE FOR
TACTICAL AND STRATEGIC SYSTEMS AND EQUIPMENT

Ref: (a) Financial Management Policy Manual NAVSO P-1000 (075372)
(b) DoD Financial Management Regulation 7000.14R Volume 2A, Chapter 1
(c) NAVAIR memo 7000 Ser AIR-7.6.3CM/058 of 21 Jun 95

1. **Purpose.** To issue budget policy for automatic data processing (ADP) software for tactical and strategic systems and equipment.
2. **Cancellation.** This instruction supersedes NAVAIR Instruction 7040.15A of 15 May 1987 in its entirety thus changes are not indicated.
3. **Scope.** The provisions of this instruction are applicable to ADP software for all tactical and strategic systems and equipment. These ADP systems are also referred to as special purpose ADP equipment and/or embedded computer systems.
4. **Definition.** The term special purpose ADP equipment refers to equipment specifically designed to meet a specific military operational requirement or to perform a predetermined set or series of computational functions only, and which may be required to meet specific physical or environmental conditions, and which are physically or functionally integral to a higher order system.
5. **Budget Policy.** The following budget policy applies to ADP for tactical and strategic systems software and is consistent with references (a) and (b). Reference (c) contains additional funding policy guidance regarding tactical systems software.
 - a. **Initial Software Acquisition.** The Research, Development, Test and Evaluation (RDT&E) appropriations finance all work leading up to a service approved operational software program for an equipment/system as a part of the equipment/system development program. RDT&E efforts necessary to deliver computer programs and documentation required for operational use include costs related to executive and applications software feasibility studies, system design, development, preparation, modification, integration, and test



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and evaluation, including interfaces with other equipment/systems. RDT&E appropriations will also finance the integration of available software (i.e., software already developed) in new combinations/applications or for conversion/application to a new equipment/system. The cost of initial software acquisition for procurement financed equipment/systems that have not required a prior RDT&E financed development program, will be budgeted in the applicable procurement appropriation.

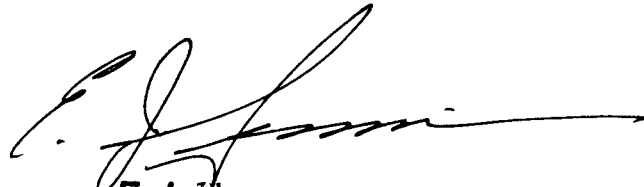
b. Software Maintenance. The Operation and Maintenance (O&M) appropriations finance expense items (under the expense/investment criteria) required for life cycle maintenance of operational software. Investment items (under the expense/investment criteria) necessary for software maintenance will be budgeted in the applicable procurement appropriation. Expense and investment items related to software maintenance of tactical/strategic systems which are not placed into production/operational use but retained for further RDT&E effort will be budgeted in the RDT&E appropriations.

c. Software Product Improvement. Funding the product improvement of operational software is governed by the "performance envelope" concept. Performance envelope is defined by the program performance specification contained in the software documentation prescribed by the Department of Defense Standard (DoD-STD) 2167, entitled Defense System Software Development. In determining the proper funding source, the performance criteria is tempered by the scope and cost of the effort. The following funding policy applies:

(1) Expanding the performance envelope. The RDT&E appropriations finance software product improvements that expand the current performance envelope. An exception to this rule is that minor improvements that expand the performance envelope may be incorporated during regular operation and maintenance-funded software maintenance. These improvements, however, must be relatively minor in scope/cost and must be capable of being accomplished simultaneously with normal "within performance envelope" maintenance changes. In order to qualify as an exception to the basic RDT&E funding policy, a configuration control management system must exist to determine whether the performance envelope change is minor in scope/cost and can be incorporated during the maintenance process.

(2) Software product improvement within the current performance envelope. For equipment/systems currently in production, software product improvement within the current performance envelope is budgeted in the procurement appropriations if the improvement is prepared as an approved system change by the equipment/system manufacturer. For equipment/systems no longer in production, software product improvement within the current performance envelope will be budgeted in the operation and maintenance appropriations. Level-of-effort software product improvement within the current performance envelope accomplished by either in-house activities or contractors will be budgeted in the operation and maintenance appropriations as normal life cycle maintenance.

6. Action. Addressees are requested to utilize this instruction in planning, programming, and budgeting for their programs. Questions concerning this material may be addressed to Cindy Meyer, AIR-7.6.3, on DSN 664-2211 or commercial (703) 604-2211 extension 6445.



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Comptroller

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